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Japanese U.S. Auto Transplant Production: An Analysis of the Roles of Vers and the Exchange Rate

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Poster Presentation 29

**JAPANESE U.S. AUTO TRANSPLANT PRODUCTION:
AN ANALYSIS OF THE ROLES OF VERS
AND THE EXCHANGE RATE**

Michael R. Cornstubble and Margaret Chapman*,
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Since their introduction in 1982, Japanese auto transplants in the U.S. have skyrocketed in production, now producing many more cars than are imported. This study attempts to identify the main factors that are responsible for the introduction of Japanese auto transplants and their massive growth in production over the past 14 years. The author develops two hypotheses from theoretical analysis of the factors contributing to production decisions. The first is that the voluntary export restraints (VERs) imposed on the Japanese from 1981-1985 are responsible for bringing the transplants to the U.S. and for creating major growth in their production. The second hypothesis is that after 1985, a different factor was responsible for sustaining growth in transplant production, the exchange rate. The author relies mainly on theory and observations of quarterly time series data to support his first hypothesis, but supports the second hypothesis with both theoretical and empirical analyses, with strong results throughout.